

MINUTES OF MEETING

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

WEDNESDAY, MARCH 18, 2015, AT 3:30 P.M.

IN THE MARY BRENNAN BOARD ROOM,

T. F. GREEN AIRPORT, 2000 POST ROAD

WARWICK, RHODE ISLAND

The meeting of the Rhode Island Airport Corporation (“Corporation”) Finance and Audit Committee was called to order by the Chair of the Committee, Deborah M. Thomas, at 3:30 p.m., in the Mary Brennan Board Room at T. F. Green Airport, 2000 Post Road, Warwick, Rhode Island, in accordance with the notice duly posted pursuant to the Open Meetings Law.

COMMITTEE MEMBERS PRESENT: Deborah M. Thomas; Jon Savage and John Justo.

COMMITTEE MEMBERS ABSENT: Bradford Dimeo.

BOARD MEMBERS PRESENT: Russell Hahn, Michael Traficante and Paul Carroll.

ALSO PRESENT: Kelly J. Fredericks, P.E., A.A.E., President and CEO; and those individuals listed on the attendance sheet attached hereto.

1. Approval of the Minutes:

A motion was made by Mr. Justo and seconded by Mr. Savage to approve the Minutes of the Finance and Audit Committee Meeting of January 21, 2015. The motion was passed unanimously.

2. Report from the Chief Financial Officer:

Mr. Fredericks reported that Ms. Nicole Williams has been promoted to VP of Finance and Accounting and Chief Financial Officer as part of the restructuring of the Rhode Island Airport Corporation.

Mr. Schattle provided an update on the refunding of the 2004 Series A Bonds noting that the interest rate has been locked at 2%, signatures of related documents has been scheduled for Thursday, March 19th, and the closing is scheduled for Monday, March 23rd.

Ms. Williams gave a presentation which provided an overview of the year-to-date financial results through December 31, 2014 and an overview of actual revenue and expenses for the first half of the year as compared to budget. The presentation focused on revenues and expenses, with a focus on revenue streams driven by enplanements. There was specific discussion on the impact to parking and rental car revenues due to decreased passenger utilization and enplanements.

Ms. Williams noted personnel costs are below budget due to vacancies in Fiscal Year 2015 and this along with a continuation of several efficiency initiatives enabled the Corporation to provide positive variances as compared to the fiscal year budget. It was noted that medical insurance expense was favorable to budget due to lower monthly premiums as a result of vacant positions.

Ms. Williams discussed operating expenses and noted that overall costs were favorable as a result of managing costs, while utility costs were higher than anticipated due to a significant increase in the electricity supply rate imposed by the provider. A proposed decrease in these rates is expected from April through June. Ms. Williams reported that snow removal costs during the quarter ending March 31, 2015 will be higher than budgeted expectations due to a heavy snow season. It was noted that a Federal Emergency Management Agency (FEMA) claim has been submitted to offset a portion of the snow removal costs associated with the blizzard that occurred in January 2015. Ms. Williams noted the overall operating expenses were favorable as compared to the prior year.

Ms. Williams noted the general aviation airports' net revenue streams and expenses were favorable as a result of managed expenses and a budgeted credit for revenue loss due to required repairs of the runway at Quonset Airport. Mr. Fredericks noted that while expenses are managed at the general aviation airports they remain under-performing and continue to operate at a loss. The goal is for

them to become self-sufficient.

There was general discussion on non-operating revenues and expenses.

Ms. Thomas asked for further details on expenses in this category. Ms. Williams reported other income, which includes interest income, interest expense and Passenger Facility Charge (PFC) revenue is behind budget primarily due to decreased PFC revenue as a result of enplanement trends. It was also noted that grant income timing for the Sound Insulation and Land Acquisition Programs, and contributed capital have both favorably affected non-operating revenues and expenses.

Ms. Williams noted net operating income for the InterLink facility was favorable to the budget as a result of managing expenses in line with revenue streams.

There was discussion on receivables and Ms. Williams noted the increase is related to the construction projects and timing of grant reimbursement.

There was a detailed discussion on the enplanement trends, cargo and the importance of maintaining a low CPE for the airlines. There was discussion on the impact of enplanement trends on retail and food establishments. It was noted that operating hours have been aligned with enplanement trends to maximize revenues. RIAC will continue to monitor hours of operation to ensure there are no

impacts to customer satisfaction.

Mr. Schattle reported there is a decrease in on-airport parking revenue based on enplanement trends and an increase in off-airport parking revenue which appears to be based on pricing. It was noted that RIAC receives 100% of revenue from on-airport parking as compared to an access fee of 12% of revenues from off-airport parking locations. There was additional discussion on pricing adjustments and the inclusion of ancillary services into the calculation for the Airport Access Fee for off-airport parking operators.

Mr. Schattle stated staff will continue to focus on managing expenses and maximizing revenue streams to meet the expectations of the RIAC Board of Directors and bond covenants. Mr. Fredericks commended the finance team on the impressive work they do to manage expenses and revenues.

Future Meetings:

The next Finance and Audit Committee Meeting will be held on Wednesday, June 17, 2015 at 3:00 p.m., in the Mary Brennan Board Room, T. F. Green Airport, Warwick, Rhode Island.

3. Adjournment:

Mr. Savage moved to adjourn at approximately 3:58 p.m. Mr. Justo seconded the motion. The motion was passed unanimously.

Respectfully submitted,

**Deborah M. Thomas, Chair
Finance and Audit Committee of
the Rhode Island Airport Corporation**

**ATTENDANCE SHEET
RHODE ISLAND AIRPORT CORPORATION
FINANCE AND AUDIT COMMITTEE
MARCH 18, 2015**

Brian Schattle RIAC

Peter Frazier RIAC

Liberty Luciano RIAC

Nicole Williams RIAC

Bruce Wilde RIAC

Doug Dansereau RIAC

David Cloutier RIAC